

S-E-C-R-E-T

INSTRUCTION NO.
LI 45-6

LI 45-6
LOGISTICS
Revised 11 April 1967

PART I

MATERIEL DISCREPANCIES - COMMERCIAL SOURCES

1. POLICY

- a. All discrepancies resulting from orders placed on commercial sources of supply shall be considered consequential. However, in the interest of economy and to facilitate prompt and correct payment, the term "Acceptable Discrepancy" shall be noted on Receiving Reports when:
 - (1) An overshipment is valued at less than \$⁵⁰25.00 per line item and is received with the basic shipment.
 - (2) The requisitioning office accepts an overage valued in excess of ⁵⁰\$25.00 per line item or approves the cancellation of any portion of a requisition where there is a shortage in the delivery of materiel ordered in which case the Agency will pay the vendor only for materiel actually received.
 - (3) The requisitioning office accepts materiel substituted by the vendor for items originally ordered.
- b. Discrepancies attributable to a vendor will be resolved at the expense of the vendor and at the convenience of the Government. Unacceptable materiel returned at the request of the vendor will be at his expense; however, parcel post charges may be borne by the Government if return via this channel is to Government advantage.
- c. Amended purchase instruments shall be provided the Office of Finance when acceptable discrepancies are not covered within the terms of the original purchase instrument except that amended purchase instruments will not be provided when an acceptable overage is \$25.00 or less per line item.

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GROUP I Excluded from automatic downgrading and declassification

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2. RESPONSIBILITIES

a. Supply Division (OL/SD) shall:

- (1) Record discrepancies and reason(s) therefor. In instances of obvious damage, loss in transit, or damage discovered prior to acceptance, immediately notify the carrier, note details such as the condition, the probable cause and whether the carrier's representative inspected the materiel, accepted or disclaimed responsibility.
- (2) Determine if items lost in transit, received short, damaged or having latent defects are to be replaced or cancelled.
- (3) Determine if overshipments and erroneous items are acceptable to the originating office or for acceptance in the Agency stock system.
- (4) Resolve discrepancies involving classified and unclassified orders and contracts placed by Procurement Division/Procurement and Contract Branch/General Purchase Section (OL/PD/P&CB/GPS). Discrepancies which cannot be resolved shall be referred to the Procurement Division (OL/PD).
- (5) Determine if a formal claim is to be submitted or internal adjustments are to be effected when latent discrepancies are disclosed. Such decisions will be based on the findings of the receiving activity; see paragraph 3.d. below.
- (6) Advise receiving activities of disposition actions to be taken for discrepant deliveries per paragraph (4) above and when materiel is to be returned, [redacted] for classified orders and contracts and a return shipping address for unclassified orders and contracts.
- (7) Provide OL/PD with an original and green copy of Discrepancy Report (Form 1583) in connection with paragraphs (1), (2) and (3) immediately above.

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(8) The Receiving Branch, [redacted] may contact local vendors directly concerning discrepancies covered by a Blanket Purchase Agreement. These discrepancies which cannot be so resolved shall be referred to PD.

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EXPAND TO INCLUDE DIRECT DELIVERY

- b. Logistics Services Division (OL/LSD) and Printing Services Division (OL/PSD) shall follow the procedures for receiving activities (paragraph 3 below) when discrepant deliveries are in connection with materiel delivered directly to their receiving area as a result of a commercial contract or purchase order initiated by OL/PD.
- c. Procurement Division shall:
- (1) Take necessary action in connection with Discrepancy Reports (Form 1583) involving commercial procurement orders and contracts ~~except as indicated in paragraph 2.a.(4) above.~~
 - (2) Advise vendors of action desired via Form 1709 or 2616 as appropriate. Furnish Office of Finance copies of formal claims against vendors.
 - (3) Furnish Receiving Activities through OL/SD/CCDB the original copy of Form 1583 and a copy of Form 1709 or 2616 indicating action taken and to be taken.
 - (4) Furnish Receiving Activities completed Shipping Documents (Form 291) for the return of unacceptable materiel delivered on classified orders and the return shipping address for unacceptable materiel delivered on unclassified orders.
 - (5) Follow-up when vendors are delinquent in replacing and/or picking up unacceptable materiel. *Advise vendors that rejected materiel will be returned at vendor's expense if instructions are not received within 30 days*
3. PROCEDURES *after notification of rejection.*
- a. General
- (1) Receiving Activities shall prepare Receiving Reports for all materiel received from vendors. Items shall be inspected for compliance with the procurement instrument. Discrepancies will be noted by the or the technical inspector as appropriate. The Receiving Report shall be annotated

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"DISCREPANCY" when the materiel is not as ordered by reason of quantity, quality, type or condition. The nature of the discrepancy by item number(s) shall be noted on the Receiving Report.

- (2) Replacement or short items will be requested or cancelled by the appropriate procurement activity when so desired by the originating office.
- (3) Office of Logistics will provide the Office of Finance copies of formal claims for losses and damages for the purpose of establishing accounts receivable.

b. Preparation and Processing of Receiving Discrepancy Reports

- (1) Receiving Activities shall, on disclosure of a discrepancy in connection with an Office of Logistics procurement action, prepare a Receiving Discrepancy Report (Form 1583), attach pertinent documentation and forward to OL/SD.
- (2) Receiving Activities shall initiate action for the return of discrepant materiel to vendors in accordance with Shipping Documents, Forms 291, provided or shall prepare the Forms 291 and effect the return in accordance with instructions indicated on the original copy of Form 1583 forwarded by OL/SD.
- (3) Receiving Activities shall submit an amended Receiving Report after an initial receiving report has been processed when advised that items found over or erroneous are acceptable, or that items damaged or short will not be required.

c. Loss or Damage in Transit

- (1) Carriers are responsible for loss and damage of property in transit. Therefore it is essential that the number of containers received conform to those listed on the delivery ticket. Each container must be examined for exterior damage.

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Damages and losses, if any, shall be noted on the delivery ticket and the carrier's representative be given the opportunity to count and/or inspect the cargo prior to his departure from the receiving dock. Containers, dunnage and materiel shall be held intact until the matter is resolved.

- (2) Shortages and damages traceable to a carrier which cannot be informally resolved by the Receiving Activity shall be reported to OL/PD. Such reports must be completely documented so as to validate a formal claim against the carrier if necessary.
- d. Disclosure of Latent (Concealed) ^{Defects,} Short, Damaged or Erroneous Materiel

When discrepancies involving items short, damaged, defective or erroneous are discovered after receiving has been accomplished, Receiving Activities shall:

- (1) Utilize the services of the [] and/or the technical inspector; physically count all like items and confirm issues to determine whether the discrepancy is attributable to the carrier, vendor or a recording error.
- (2) Prepare a Report of Inventory Adjustment (RIA), Form 390, citing the circumstances of the discrepancy and indicating responsibility per paragraph (1) above.
- (3) Process the RIA utilizing the applicable FPA transaction code.
- (4) For discrepancies attributable to the carrier or vendor, prepare a Receiving Discrepancy Report (Form 1583), attach a copy of the RIA and forward for action; see paragraph 2.a.(5) above.

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e. Disclosure of Discrepancies - Transshipments

Receiving Activities accomplishing the initial receipt of materiel (see paragraph 3.a.(1)) shall take action in reporting discrepancies. When containers are reconsigned without being opened and inspected at the first destination, the ultimate consignee shall furnish the first consignee complete and detailed information applicable to the types of discrepancies noted herein.

f. Consideration shall be given to the security classification of materiel and the method of handling claims in every instance (paragraphs 3.c. and d. above).

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